



**DEFENSE CONTRACT AUDIT AGENCY**  
**DEPARTMENT OF DEFENSE**  
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IN REPLY REFER TO

PAS 730.3.B.2.2

January 13, 2003  
03-PAS-005(R)

MEMORANDUM FOR REGIONAL DIRECTORS, DCAA  
DIRECTOR, FIELD DETACHMENT, DCAA  
ASSISTANT DIRECTOR, OPERATIONS, DCAA

SUBJECT: Audit Guidance Regarding Statement on Auditing Standards (SAS) No. 99,  
*Consideration of Fraud in a Financial Statement Audit*

In late November 2002, the American Institute of Certified Public Accountants (AICPA) released SAS No. 99, *Consideration of Fraud in a Financial Statement Audit*, dated October 2002. SAS No. 99 is effective for audits of financial statements for periods beginning on or after December 15, 2002. SAS No. 99 supersedes SAS No. 82, *Consideration of Fraud in a Financial Statement Audit*, and amends SAS No. 1, *Codification of Auditing Standards and Procedures*, and SAS No. 85, *Management Representations*.

SAS No. 99 establishes standards and provides guidance to auditors in fulfilling their responsibility as it relates to fraud in an audit of financial statements conducted in accordance with generally accepted auditing standards (GAAS). SAS No. 99 does not change the auditor's responsibility to plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. However, SAS No. 99 does establish standards, provide guidance, and increase the documentation requirements for auditors in fulfilling that responsibility, as it relates to fraud. SAS No. 99 requires gathering a broader range of information as a source of input for the fraud risk assessment beyond simply the consideration of risk factors provided in SAS No. 82. It also provides additional guidance on how this information is considered in the risk assessment.

We anticipate that SAS No. 99 will be incorporated into the "attestation" chapter of the new Government Audit Standards that are expected to be issued later this year. We are currently reviewing the effect of SAS No. 99 on DCAA audits and audit programs. We expect to issue initial guidance by March 31, 2003. In the interim, auditors should follow existing guidance. FAOs should direct any questions or concerns to their regional office. Regional offices may address their questions to Ms. Maria A. Davey, Program Manager, Auditing Standards Division (PAS), at 703-767-3274 or e-mail address, dcaa-pas@dcaa.mil.

/Signed/  
Robert DiMucci  
Assistant Director  
Policy and Plans

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